



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Carl W. Mosher

**SUBJECT: IMPACTS OF REDUCED SOLID
WASTE FEE REIMBURSEMENTS
ON NON-PROFIT RECYCLERS**

DATE: May 24, 2005

Approved	/s/	Date	05/31/05
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RECOMMENDATION

Accept this report providing additional information regarding potential impact of an 8.2% reduction in funding for Non-Profit Recyclers on City costs.

BACKGROUND

This report is provided in response to questions in the 2005-2006 Proposed Operating Budget Study Sessions. Councilmember LeZotte requested information regarding the potential impact on City costs if reimbursement funding for Non-Profit Recyclers (NPRs) was reduced by 8.2% as proposed.

For the past 10 years, the City has entered into Reuse and Recycling Agreements with Goodwill Industries of Santa Clara, The Salvation Army and St. Vincent de Paul Society. During the 2002-2003 fiscal year, the City added Hope Services as a fourth non-profit recycler. The NPRs play a significant role in the City's overall strategy to divert reusable and recyclable materials from landfills. An overview of the four organizations follows:

- Goodwill of Santa Clara County sells donated goods at its 13 retail stores in Santa Clara County. In addition to the retail stores, Goodwill runs re-upholstered furniture operations.
- The Salvation Army operates the Adult Rehabilitation Center located near downtown, where work therapy serves as the basis for one of the nation's largest recycling programs. The income from the recycled materials provides the major sources of funding for this program.
- St. Vincent de Paul Society operates a free distribution program, emergency services, day worker centers, and other special programs. It operates three thrift stores in Santa Clara County and distributes used clothing and other household goods.
- Hope Services provides work training, job placement, professional counseling, and daily activities program for children, adults, and seniors with developmental disabilities.

Under the terms of the Agreements, the City provides financial reimbursement to offset that portion of the NPRs' disposal costs attributable to Commercial Solid Waste Franchise Fees and

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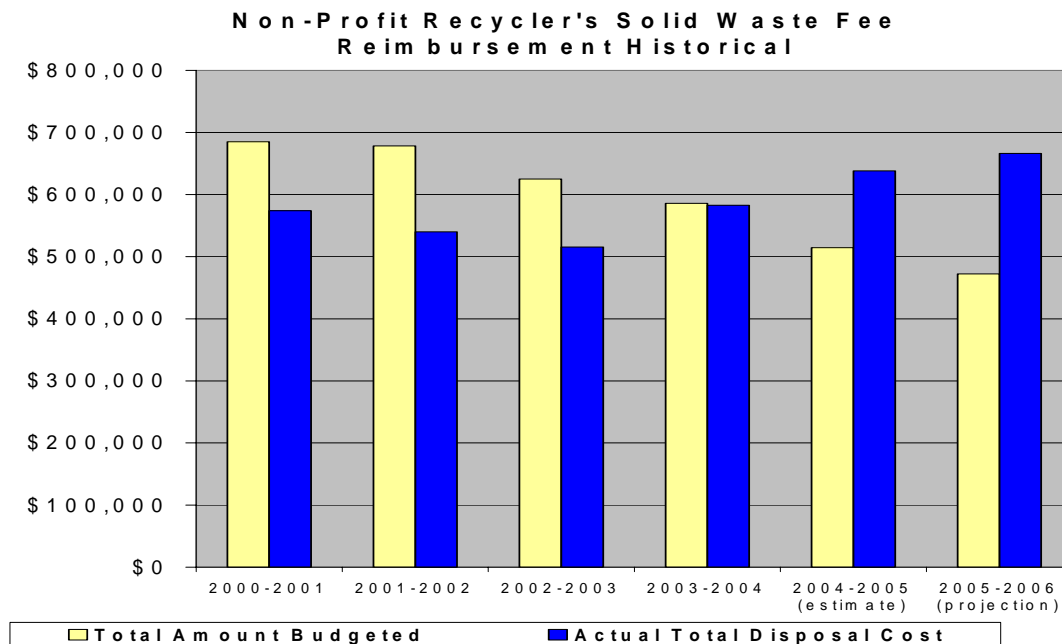
the Disposal Facility Taxes (DFTs). The reimbursement does not pay any portion of the collection fees charged by the haulers or the tipping fees charged by the landfills. The solid waste haulers servicing the NPRs remit franchise fees to the City for each cubic yard of commercial solid waste each non-profit generates. Landfill operators remit DFT revenue to the City for each ton of solid waste the non-profits dispose of in local landfills. The haulers include these fees and taxes into the service rates that are charged to the NPRs.

ANALYSIS

San Jose is the only local jurisdiction providing substantial financial assistance to NPRs, although some jurisdictions have undertaken joint efforts with non-profits to establish salvage and reuse operations.

The total annual appropriation for the Reuse and Recycling Agreements reached a peak of \$685,000 in FY 2000-01. Since that time, the Administration has made reductions in the total dollar amount of these agreements in an effort to align the budgeted appropriation with the actual disposal costs incurred by the NPRs. Goodwill Industries and The Salvation Army represent 97% of the total annual reimbursement.

As noted in the bar graph below, NPR disposal costs have been increasing since FY 2002-03. Generally this is due to increases in the amount of material being donated to the non-profits that cannot be reused and consequently ends up as residue for the landfill. In FY 2004-05, for the first time, the disposal reimbursements from the City are not anticipated to completely cover all of the fees and taxes incurred by the non-profit recyclers. Reductions in funding for NPRs have been consistent with budget policy to reduce funding to community based organizations based on the average city-wide reduction. The estimated shortfall for FY 2004-05 is \$123,702. Assuming an 8.2% decrease in the reimbursement for FY 2005-06, the projected shortfall is expected to be \$194,000. The following graph also illustrates how the budgeted amount for the NPR reimbursements has been reduced while the fee portion of their actual disposal costs have increased.



Consequences of Reimbursement Reduction

- Increased Illegal Dumping

As the cost of landfill disposal has increased locally, there has been an observed increase in the amount of illegal dumping at NPR drop-off sites after hours as well as at thrift store locations. Three locations operated by Goodwill in east San Jose collect a full tractor-trailer of material (28 cubic yards) per day, half of which is thrown away as garbage.

The City's Department of Transportation also has observed increases in the volume of illegally dumped solid waste corresponding with increases in disposal costs. Unfortunately, it is not possible to quantify this data since DOT commingles illegally dumped debris from City rights-of-way and other City properties with waste from other sources such as construction and maintenance materials. (DOT does not collect waste dumped on private property or on land owned by other public agencies.) Staffing cannot be used as a guide since the equipment and crews deployed to collect illegally dumped debris are used for other assignments as well.

CONCLUSION

The Administration will be monitoring information from the non-profits and City operations during the coming fiscal year to track the impact of an 8.2% reduction in solid waste fee reimbursements.

/s/

CARL W. MOSHER

Director, Environmental Services Department